



IFC

Financial Institutions Group (FIG)

Housing Finance

As of December 2024

Industry Context

Affordable housing remains a pressing global issue, especially in emerging markets and developing countries where more than 1.26 billion people lack adequate housing. Approximately 210 million additional housing units will have to be built by 2030 to accommodate growing populations and urbanization patterns. This represents a \$16 trillion financing gap.

By leveraging the expertise of the World Bank Group, IFC aims to enable and deepen the market across the housing value chain. For more than 30 years, IFC has supported the expansion of residential mortgage lending and affordable housing in emerging markets.

To catalyze the development of sound and widely accessible housing finance markets, IFC:

- Invests in financial institutions and mobilizes capital across the globe, serving as a reliable source of long-term funding
- Works with funds to support construction of green residential buildings
- Provides upstream and advisory to strengthen financial institutions' capacity in housing finance
- Works with regulatory agencies to improve the enabling environment

IFC's approach to Housing Finance is to engage at market level through various initiatives including:

- Supporting financial institutions and Mortgage Refinancing Companies (MRCs) as vehicles for capital markets refinancing while working with policy makers to fast-track reforms, the banking sector, and housing developers
- Investment in Covered Bonds and Mortgage-backed Securities which unlock local currency capital
- Loans to mortgage real estate investment trusts traded on the Stock Exchange, which provide liquidity for mortgage originators
- Developing innovative Housing Finance products tailored for women, low-income, unbanked, and underserved clients

Examples of IFC's Strategic Interventions

GREENING AFFORDABLE HOUSING IN INDIA

India's Ministry of Housing and Urban Affairs' demand-based assessment has pegged India's affordable housing shortfall at approximately 10 million houses (as of 2022). India's urbanization rate, currently at 34%, is expected to surpass 50% by 2050 (UN-Habitat, 2017), creating demand for 25 million additional affordable units and driving investment opportunities of \$620 billion by 2030.

In the past 8 years, IFC has invested more than \$1.9 billion, and has a current portfolio of \$1.2 billion with 10 clients, of which 35% is green housing. Expected outcomes include increasingly affordable homeownership for low-income populations, increasing green affordable units, and reducing GHG emissions.

RISK SHARING FACILITY IN CHILE

While Chile's mortgage market is relatively advanced compared to LAC counterparts, it remains relatively small when compared to advanced economies. The country faces a significant housing deficit, with subpar living conditions. Gender disaggregated data reveals a housing finance gender gap, despite women's better repayment histories. To address these disparities, IFC provided an unfunded risk sharing guarantee for up to \$400 million to Santander Chile enabling the bank to originate housing loans for women.

Project Examples



BANCO SANTANDER (CHILE)

IFC committed a \$100 million unsecured loan to Banco Santander to support its mortgage lending operations with 100% of those proceeds allocated to women. The bank is the second largest mortgage player in the Chile with a market share of 20 percent. The country faces a significant housing deficit, with subpar living conditions in some homes. Gender disaggregated data reveals a housing finance gender gap, which mirrors broader financial disparities in Chile. IFC's project aims to address housing finance disparities in Chile, focusing on increasing access to housing loans, particularly for women.



ADITYA BIRLA HOUSING FINANCE LTD (INDIA)

IFC committed a \$98 million financing package to Aditya Birla Housing Finance Ltd (ABHFL). The proceeds will be utilized by ABHFL to grow its affordable housing book and MSME financing portfolio, including for women borrowers. At least 90 percent of the loans will be processed through digital channels and will be labelled Social Bonds in line with International Capital Market's Association's (ICMA) Social Bond Principles. ABHL will also develop a Social Finance Framework with IFC's support in line with ICMA's Social Bond Principles.



AAVAS FINANCIERS LTD (INDIA)

IFC committed \$75 million financing to Aavas Financiers Ltd, an Indian Housing Finance Company listed on the Indian Bourse. 55 percent of the investment will be directed towards financing of green housing and the balance will be for financing Economically Weaker Segments (EWS) and Low-Income Groups (LIG). The funds will provide access to longer tenor financing which enables Aavas to increase access to affordable housing finance for individual borrowers. Additionally, the investment will support Aavas in building its green housing portfolio while promoting competitiveness in the housing sector by demonstrating to other financial institutions the viability of providing such financing to lower income segments like EWS and LIG in India.



FIG Housing Committed Portfolio \$4 billion across 55 active projects

